

CITY OF AURELIA  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2014 THROUGH JUNE 30, 2015

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CITY OF AURELIA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Justin Schulenberg	Mayor	January, 2016
Jake Schutt	Council Member	January, 2016
Cindy Nelson	Council Member	January, 2016
Roman Redig	Council Member	January, 2018
Sue Johnson	Council Member	January, 2018
Dan Baker	Council Member	January, 2018
Barb Messerole	City Clerk	Indefinite
George Wittgraf	Attorney	Indefinite

# HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
JASON K. RAVELING  
TAMMY M. CARLSON, C.P.A.  
STEVE C. CAMPBELL, C.P.A.  
RICHARD R. MOORE, C.P.A. (RETIRED)  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W. J. HUNZELMAN, C.P.A. 1921-1997

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Aurelia for the period July 1, 2014 through June 30, 2015. The City of Aurelia's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
15. We reviewed fund balances to determine if ending balances were in excess of current year disbursements.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Aurelia, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Aurelia and other parties to whom the City of Aurelia may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 2, 2016

*Hunzelman, Putzier & Co., PLLC*

## DETAILED RECOMMENDATIONS

CITY OF AURELIA  
DETAILED RECOMMENDATIONS  
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank statement balance and the City's general ledger fund balances. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) Petty Cash and Change Funds – The City's petty cash and change funds are not included in the City's accounting records and resulting fund balances.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash and change funds, should be included in the City's accounting system.

CITY OF AURELIA  
DETAILED RECOMMENDATIONS  
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (D) Payroll – Annual salary increases for all City employees were approved during the budget process, however, the wage increases are approved as a percentage rather than by specific amounts.

Recommendation – Wages of all employees should be adequately documented in the minutes as an hourly rate or salary and not just a percentage increase.

- (E) Journal Entry Approval – The City Clerk has control over multiple duties within the City due to its relatively small size, including preparing and posting journal entries. It was noted that there is no independent approval of journal entries prepared and posted.

Recommendation – The City should implement a procedure to have an independent person review and authorize journal entries prepared by the City Clerk such as the Mayor or member of the City Council. Authorization should be documented by the initials of the reviewer as well as the date of the review.

- (F) Excess Balances – The following funds have balances at June 30, 2015 in excess of one year's disbursements:

Special Revenue   - Employee Benefits  
                              - Library Expendable Trust  
                              - Local Option Sales Tax

Debt Service

Recommendation – While it appears that these funds may have an excessive balances, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

- (G) Revenue Bonds – The provisions of the sewer revenue bond resolution require the City produce net operating revenues equal to at least 110% of the principal and interest on the bonds as they become due. For the year ended June 30, 2015, the City's Enterprise, Sewer Fund had a net loss of \$3,776.

Recommendation – The City should consult legal counsel and review the City's utility rates to ensure the rates are adequate to produce the required net operating revenues.

- (H) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.